

## Message Text

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ACTION EA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 FEAE-00

INT-05 OES-03 ACDA-05 ERDA-05 AGR-05 NSC-05 SS-15

CEA-01 L-03 H-02 PM-03 DODE-00 PA-01 PRS-01 /123 W

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R 110840Z JUL 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 1425

INFO AMEMBASSY OTTAWA

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E.O. 11652: N/A

TAGS: EGEN, JA, CA

SUBJ: JAPANESE VIEW OF JAPAN-CANADA MINISTERIAL TALKS

REF: TOKYO 7095

SUMMARY: AT SEVENTH JAPAN-CANADA MINISTERIAL TALKS, HELD AFTER A FOUR-YEAR HIATUS, JAPANESE SIDE WAS STRONGLY IMPRESSED BY SERIOUSNESS OF CANADIAN INTENTIONS TO SEEK GREATER INDEPENDENCE FROM U.S. DESPITE PROSPECT OF SOMEWHAT PROTECTIONIST ECONOMIC POLICIES DEVELOPING OUT OF GOC EFFORTS TO IMPROVE STRONGER CANADIAN IDENTITY ON COUNTRY'S ECONOMY, GOJ SEES AMPLE SCOPE FOR COOPERATION IN DEVELOPMENT OF CANADA'S RESOURCES AND RESOURCES PROCESSING INDUSTRIES. END SUMMARY.

1. GOJ OFFICIALS (KAWASHIMA, DEPUTY DIR., 2ND N. AMERICAN DIV., FONOFF, AND ARAI, DEPUTY DIR., AMERICAS-OCEANIA DIV., MITI) IN SEPARATE BRIEFINGS ON JAPANESE VIEW OF JUNE 23-24 JAPAN-CANADA MINISTERIAL TALKS SAID LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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NYEIR STRONGEST IMPRESSION FROM MEETINGS WAS OF GOC DESIRE TO REDUCE U.S. INFLUENCE. BOTH OBSERVED, HOWEVER, THAT ALTHOUGH GOC SEEMS FIRMLY SETTLED ON PROMOTING DOMESTIC INDUSTRIAL DEVELOPMENT AND

STRENGTHENING RELATIONS WITH EC AND PACIFIC NATIONS  
IN PURSUIT OF THIS AIM, IT APPEARS THAT IT WILL TAKE  
SOME TIME FOR GOC TO COMPLETE FULL REVIEW OF  
RESOURCES AND FOREIGN CAPITAL POLICIES AND PREPARE  
CONCRETE PROPOSALS RE JOINT PROJECTS. ARIA REMARKED THAT  
HE HAD EXPECTED A MORE ACTIVE POSTURE ON CAPITAL IN-  
VESTMENT FROM THE CANADIANS (RATHER THAN REITERATION  
OF SAME TAR SANDS PROPOSALS U.S. OIL COMPANIES HAVE  
ALREADY REJECTED) BUT BELIEVES THIS WILL DEVELOP IN  
TIME AS CANADIANS, LIKE AUSTRALIANS, CONCLUDE THAT  
FOREIGN CAPITAL IS ESSENTIAL TO ACHEIVEMENT OF THEIR  
ASPIRATIONS AND WILL HAVE TO BE SOUGHT WITH COM-  
MERICALLY ATTRACTIVE TERMS AND GUARANTEES.

2. KAWASHIMA SAID HE SEEKS GOC DECISION TO SEEK GREATER  
INDEPENDENCE FROM U.S. AS PRIMARILY POLITICALLY (AND  
NATIONALISTICALLY) MOTIVATED AND PROBABLY UNACHIEVABLE  
WITHOUT CONSIDERABLE FEDERAL GOVERNMENT INTERVENTION  
IN THE ECONOMY, INCLUDING POSSIBLY SOME FAIRLY PRO-  
TECTIONIST TRADE AND INVESTMENT POLICIES. HE ADDED  
THAT HE WONDERS HOW POPULAR THIS WILL ULTIMATELY BE  
WITH THE CANADIAN BUSINESS COMMUNITY, AND INFLUENTIAL  
SECTOR OF WHICH HAS LONG ENJOYED A PROFITABLE RELATION-  
SHIP WITH THE U.S.

3. FOLLOWING OBSERVATIONS WERE MADE ON SPECIFIC ISSUES:

A. ENERGY AND RESOURCES--BOTH GOJ OFFICIALS INDICATED  
THAT DESPITE PROSPECT OF SOMEWHAT RESTRICTIVE GOC  
ATTITUDE TOWARD FOREIGN OWNERSHIP AND EXPORT OF UN-  
PROCESSED RAW MATERIALS AND GOC REFUSAL TO GUARANTEE  
SUPPLIES IN RETURN FOR INVESTMENT (OTHER THAN AMOUNTS  
SURPLUS TO DOMESTIC NEEDS), THERE REMAINS MUCH SCOPE  
FOR COOPERATION WITH GOC DESIRE TO DEVELOP CANADA'S  
RESOURCES AND UPGRADE ITS RAW MATERIALS PROCESSING  
PKDUSTRIES. KAWASHIMA REMARKED THAT IN THE LONG RUN  
SCARCITY OF LAND RATHER THAN RESOURCES PROBABLY WOULD  
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SET THE LIMITS ON JAPAN'S ECONOMIC PROSPECTS AND THAT  
IN THAT SENSE HE COULD AGREE WITH SECRETARY MAC EACHEN'S  
COMMENT THAT JAPAN NEEDED CANADA'S SPACES MORE THAN  
ITS RESOURCES. HE NOTED, HOWEVER, THAT MANY OF THE  
RAW MATERIALS PROCESSING INDUSTRIES (SMELTING,  
PULP ETC.) ARE POLLUTERS WHICH MAY PROVE AS UNPOPULAR  
WITH CANADIAN COMMUNITIES AS THEY HAVE BECOME IN JAPAN.  
IF INCENTIVES ARE GREAT ENOUGH, ARAI SAID, IT PROBABLY  
WILL BE POSSIBLE IN RESOURCES DEVELOPMENT PROJECTS TO  
WORK OUT FORMULA DELINEATING WHAT IS QTE SURPLUS TO  
CANADIAN DOMESTIC REQUIREMENTS UNQTE WITH SUFFICIENT CLARITY  
TO ENABLE JAPAN TO ACCEPT IT AS A VIRTUAL GUARANTEE

OF SUPPLY.

B. BILATERAL TRADE--KAWASHIMA CHARACTERIZED EXCHANGES ON BILATERAL TRADE ISSUES AS "RITUALISTIC" WITH CANADIANS LAMENTING INABILITY TO EXPAND PROPORTION (3 PERCENT) OF MANUFACTURED GOODS IN THEIR EXPORTS TO JAPAN AND GOJ COUNTERING WITH STATISTICS ON INCREASING SHARE OF MANUFACTURED GOODS IN JAPAN'S IMPORTS FROM WORLD AS A WHILE AS EVIDENCE THAT ITS MARKETS ARE OPEN. HE CONCEDED TO EMBOFF, HOWEVER, THAT CANADIAN AIRCRAFT AND NUCLEAR REACTORS, ITEMS THE MINISTERS EMPHASIZED, DO FACE DIFFICULT SITUATIONS IN VIEW OF ENTRENCHED POSITIONS OF U.S. FIRMS IN THESE MARKETS AND THAT CANADA'S LARGESCALE MINING AND AGRICULTURAL MACHINERY, ALTHOUGH OF GOOD QUALITY AND COMPETITIVELY PRICED, HAS LITTLE MARKET POTENTIAL IN JAPAN.

1.) TEXTILES: TWO GOVERNMENTS WILL RESUME IN-CONCLUSIVE MARCH TEXTILE TALKS IN SEPTEMBER AND ISSUE WAS ONLY BRIEFLY DISCUSSED AT GILLESPIE-KOMOTO COUNTER-PART SESSIONS. GOJ MAINTAINED THAT CANADIAN REQUEST FOR VOLUNTARY EXPORT RESTRAINTS WAS UNFAIR IN VIEW OF GREATER VOLUME OF IMPORTS FROM U.S., WHICH GOC HAS NOT ASKED TO INSTITUTE VOLUNTARY RESTRAINTS. CANADIANS RESPONDED THAT MAJOR JAPANESE EXPORTS (WOVEN SYNTHETIC AND KNIT FABRICS AND SYNTHETIC YARN) ARE DISRUPTING DOMESTIC MARKET WHILE U.S. EXPORT PRODUCTS ARE NOT.

2.) 2X4 LUMBER GRADING RULES AND QUALITY INSPECTION  
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PROCEDURES (SEE REFTEL.): BOTH GILLESPIE (TRADE AND COMMERCE) AND WHELAN (AGRICULTURE) RAISED THIS AS POTENTIALLY SIGNIFICANT NTB WHEN HOUSING MARKET PICKS UP. JAPANESE AGRICULTURE MINISTER ABE PROMISED EXPORTS TO IMPROVE AND SPEED-UP INSPECTION PROCEDURES BUT MADE NO COMMITMENT TO AMEND GRADING RULES TO CONFORM FULLY TO N. AMERICAN STANDARDS.

3.) DUMPING: ALTHOUGH CANADIAN ANTI-DUMPING ACTIONS AGAINST JAPANESE FASTENERS, COLOR T.V.'S, AND A FEW OTHER ITEMS WERE RAISED BRIEFLY, THIS WAS NOT TREATED AS A SIGNIFICANT TRADE ISSUE.

4.) AGREEMENT ON COMMERCE: NEED TO REVISE THIS BILATERAL DOCUMENT MENTIONED IN JOINT COMMUNIQUE ISSUED AT END OF MEETINGS BUT IT WAS NOT DISCUSSED AND NO TIMETABLE HAS BEEN SET.

4. JOINT COMMUNIQUE AND TEXT OF FONMIN MIYAZAWA  
OPENING SPEECH POUCHED TO DEPT. AND OTTAWA.

HODGSON

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